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SESSION ID: TPV1-R02

The Dark Side of SOC 2: Third-Party Risks Hiding in Plain Sight

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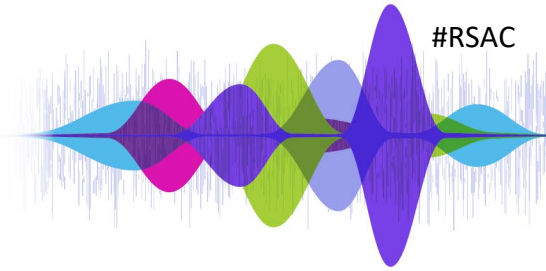

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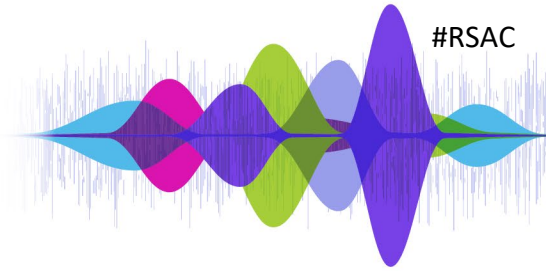
Goals for this session



- **Enhance** your ability to identify hidden weaknesses in SOC 2
- **Improve** your understanding of SOC 2 impacts
- **Strengthen** your expertise in mitigating SOC 2 risks

If you only knew the power of the Dark Side.

SOC 2 Essentials

Purpose: Evaluate an organization's controls related to **security, availability, processing integrity, confidentiality, and privacy** (Trust Services Criteria)

Who Needs It:

- Any organization providing mission-critical services or storing, managing, processing handling sensitive data
- Examples: SaaS providers, technology and cloud providers, B2B service providers

Issued By: Certified public accounting (CPA) firms after an independent audit

Framework: Based on **AICPA's Trust Services Criteria (TSC)**

SOC 2 Essentials

Types of Reports:

- **SOC 2 Type 1 –** point-in-time assessment
- **SOC 2 Type 2 –** over a period (typically 3-12 months)

Key Report Components:

- Independent audit opinion
- Management assertion
- System scope and description
- Testing and results

SOC 2 Essentials

Why It Matters: Provides assurance to customers and stakeholders that systems are secure and properly managed

Commonly Used For:

- Service Provider due diligence and risk assessments
- Compliance requirements
- Demonstrating security posture

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An in-depth look at hidden risks

There are no issues with our SOC 2 report.
Move along. You can go about your business.

Misaligned Scope and Controls

Issue: Scope is defined by a “system” boundary

Risks:

- System boundary misunderstood
- Critical systems excluded

Example: SOC 2 addresses only **one product** or line of business

Why It Matters:

- Scope excludes some of the Service Provider's infrastructure
- Out-of-scope systems not audited

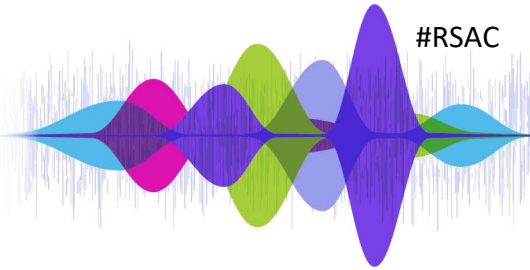
Misaligned Scope and Controls

Actionable Insights:

- **Review the System Description**
- Service Provider disclosure of **out-of-scope systems**
- **Additional evidence** for out-of-scope components

Assume nothing is in scope unless explicitly stated

Overlooked Subservice Supply-Chain Risk



Issue: **Subservice organizations** may have weak security

Risk:

- Weak controls **cascade** into hidden risks
- **Assumptions** go unchecked
- Third/fourth party **hidden vulnerabilities**

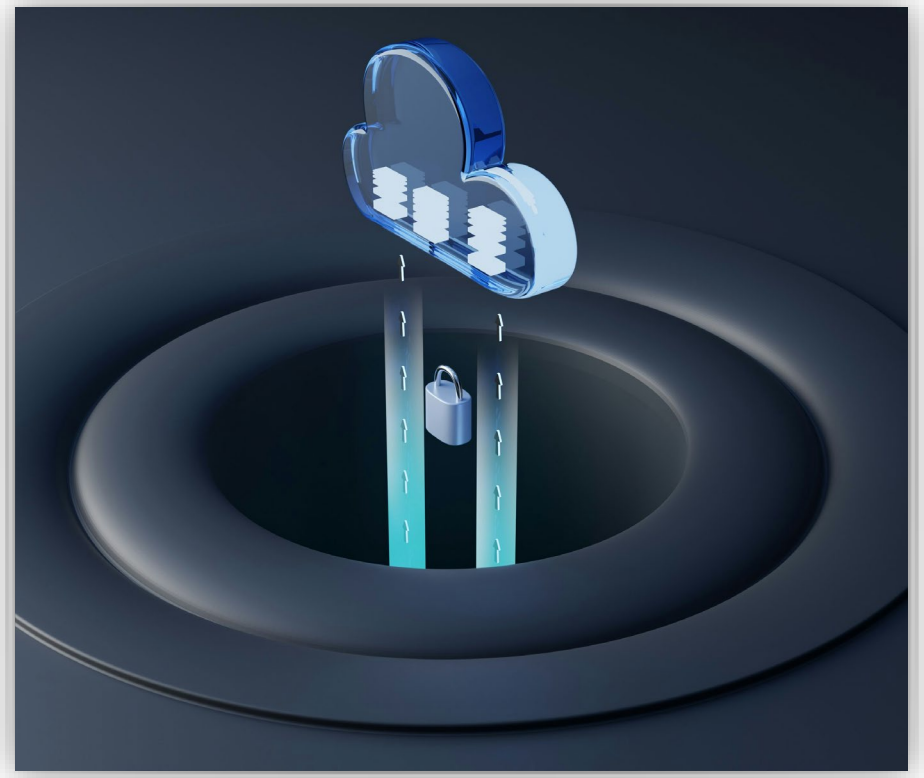
Example: A SaaS Service Provider relying on a CSP cloud with weak security introduces a hidden vulnerability

Overlooked Subservice Supply-Chain Risk

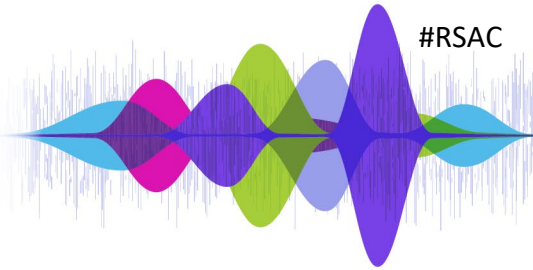
Why It Matters: Service Providers may inherit weak security or neglect security best practices

Common oversights include:

- **Misconfigured cloud settings** (S3 buckets, IAM policies)
- **No monitoring and logging** of subservice provider activity
- **Over-reliance on default security settings** without independent verification



Overlooked Subservice Supply-Chain Risk



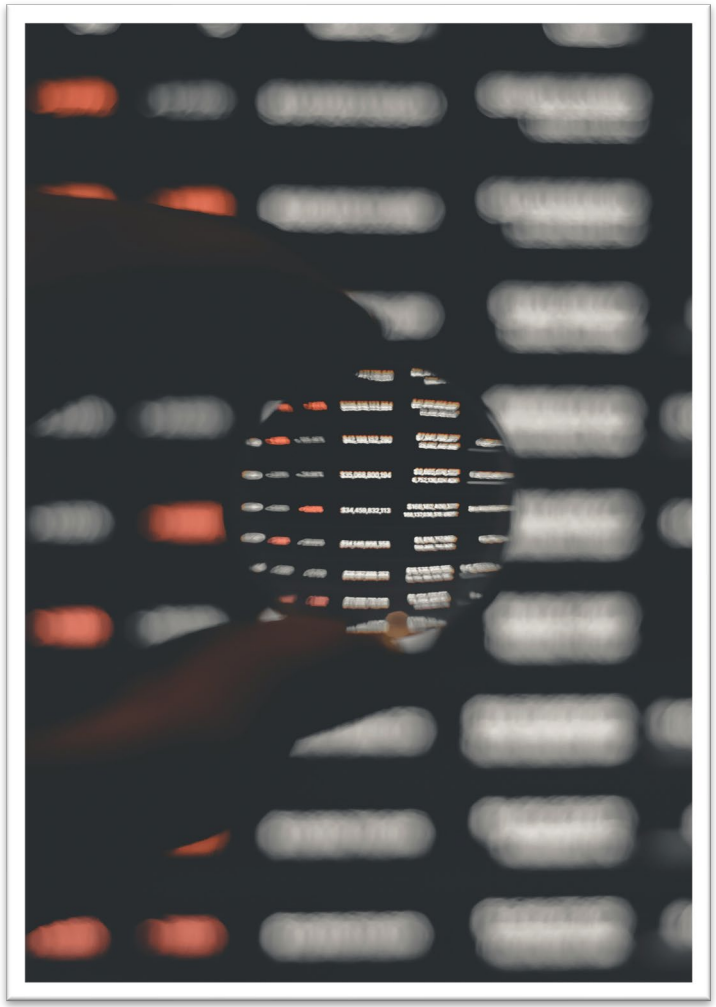
Actionable Insights:

- **Identify subservice providers** (see System Description)
- Ensure Service Providers' **risk assessments** on subservice providers are robust
- Validate subservice providers are monitored (e.g., CSPM, audits, pentests)
- Evaluate controls and **SOC 2 report** for carveouts

Controls are only as strong as the weakest subservice provider

Verify inherited security

Absence of Specific Security Domains



Issue: Trust Service Criteria (TSCs) are not mandatory:

- **Security** (core controls, always required)
- **Availability** (system uptime and reliability)
- **Confidentiality** (sensitive data protection)
- **Processing Integrity** (accuracy and reliability)
- **Privacy** (manage personal data)

Critical controls may be excluded

Risk: Missing controls create **inherited risks**

Example: Service Provider omits confidentiality and **sensitive customer data** is not protected

Absence of Specific Security Domains

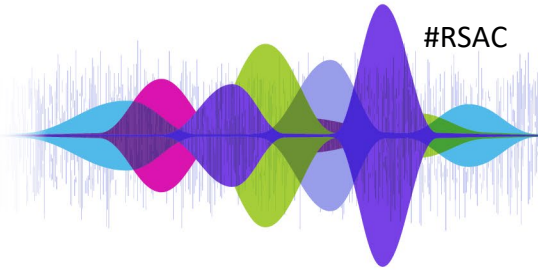
Why It Matters:

- SOC 2 may not address **your** critical risks

This may lead to:

- **Compliance gaps** – mishandled personal data, unmet regulations
- **Reliability risks** – downtime or data corruption risks
- **Weak data protection** – unclear encryption, retention, and deletion practices

Absence of Specific Security Domains



Actionable Insights:

- **Missing TSCs** may signal risks
- **Investigate excluded criteria** and consider alternative assurances
- **Cross-map controls** and identify potential gaps
- **Request supporting docs:** PIAs, uptime reports, data validation

Inherited insecurity

Continuous Security Not Guaranteed

Issue: **Historical audits** don't guarantee post-audit security changes

Risks: SOC 2 assurance may be ambiguous due to:

- **Post-audit security incidents**
- **Key personnel changes**
- **Infrastructure changes** (new CSPs and third parties)
- **Evolving compliance requirements**

Continuous Security Not Guaranteed

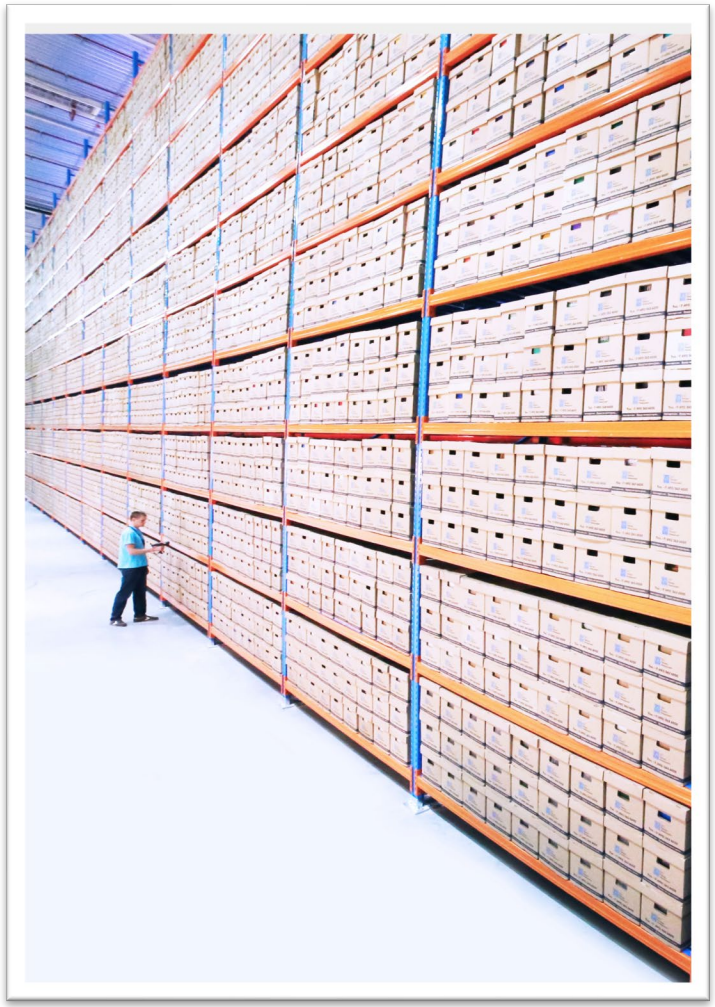
Example:

Post-audit events:

- A ransomware attack
- Outsourced security
- New subservice provider

Relying only on SOC 2 reports may miss evolving security risks

Continuous Security Not Guaranteed



Why It Matters:

Overreliance on audit snapshots, assuming ongoing security

Audits may miss:

- Post-audit vulnerabilities
- Security control changes
- Subsequent breaches or compliance failures

Ongoing monitoring can uncover previously hidden risks

Continuous Security Not Guaranteed

Actionable Insights:

- Develop transparent and trusted Service Provider relationships
- Assess recent incidents and major changes
- Continuous monitoring (iTrust, BitSight, SecurityScorecard)
- Require periodic security updates and prompt incident disclosures (SLAs, contracts)
- Supplement SOC 2 with questionnaires, pentests, and compliance reviews

SOC 2 is just a snapshot – manage Service Provider risk with continuous monitoring and transparency

Controls Vary Significantly Between Service Providers

Issue: SOC 2 focuses on objectives, not specific controls - report quality dependent on:

- **Service Provider's scope**
- **Audit rigor**
- **Service Provider's security program maturity**

Not all SOC 2 reports provide the same level of assurance

Controls Vary Significantly Between Service Providers

Risks:

- **Superficial audits:** minimal checks from low-quality audits
- **Scope manipulation:** risky systems excluded
- **Dissimilar assurance:** Service Providers have different security postures

Controls Vary Significantly Between Service Providers

Example: Service Providers have **SOC 2 Type 2 reports**, but:

- **Service Provider A** has a mature security program with 24/7 monitoring and regular testing
- **Service Provider B** meets minimum standards, lacks real-time detection, and skips testing simulations

Controls Vary Significantly Between Service Providers

Why It Matters:

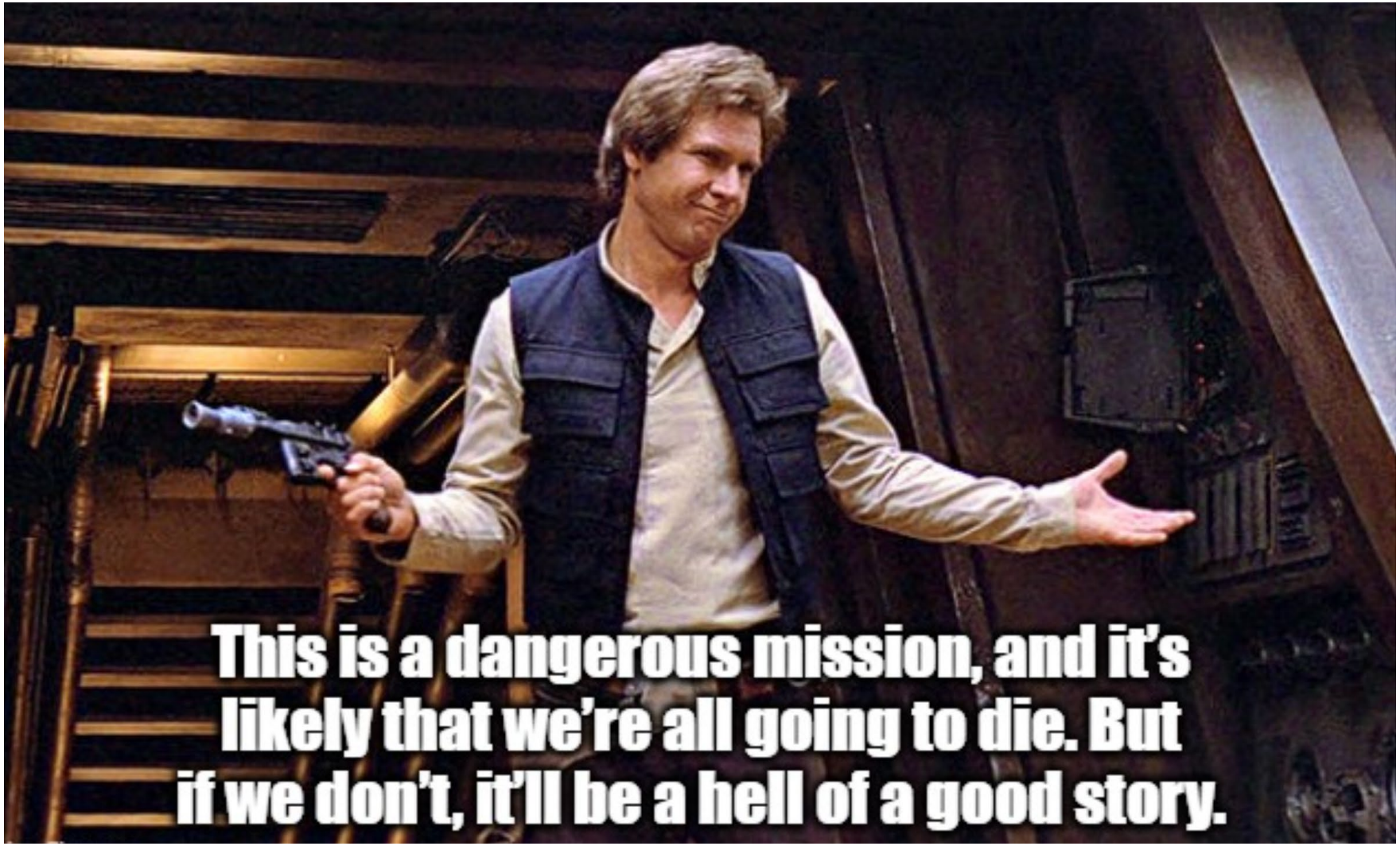
- SOC 2 is an **attestation, not a certification**
- Service Providers control the auditor, scope, and (indirectly) rigor
- Weak SOC 2 reports offer false confidence
- Poor audit quality overlooks inadequate controls
- Inadequate testing leads to critical blind spots

Controls Vary Significantly Between Service Providers

Actionable Insights:

- **Auditor credibility** – reputable, deep cybersecurity skills
- **Review scope** – for carve-outs or limited coverage exclusions
- **Assess control depth** – best practices like MFA, pentests, incident response drills
- **Compare security maturity** – inquire about monitoring, response, and remediation
- **Supplement gaps –** with other security reviews and monitoring

Not all SOC 2 reports are equal — dive deeper


This is a dangerous mission, and it's
likely that we're all going to die. But
if we don't, it'll be a hell of a good story.

Unrealistically Perfect SOC 2 Reports

Issue:

A flawless SOC 2 report may signal a narrow scope, weak auditing, or poor transparency

Risks:

- **False confidence** - zero findings may mask scope issues
- **Missed risks** - no findings ≠ no vulnerabilities
- **Lack of transparency** - no exceptions may hide remediation gaps
- **Scope manipulation** – squeaky clean reports may exclude high-risk areas

Unrealistically Perfect SOC 2 Reports

Example: A SOC 2 report with minor gaps and documented fixes shows strong auditing and Service Provider maturity

Why This Matters:

- Transparent remediation builds more trust than a “perfect” report
- Focus on how Service Providers handle issues—not just the lack of findings
- Ongoing improvement is more valuable than assumed flawlessness

“No-exception” SOC 2 may signal weak audits or limited scope.

Unrealistically Perfect SOC 2 Reports

Actionable Insights:

- Question clean reports—ask about issue handling and improvements
- Request remediation details—review past gaps and fixes
- Evaluate risk maturity—check how issues are managed beyond audits
- Look beyond SOC 2—use pentests, monitoring, and questionnaires
- Choose transparent providers—those who own and fix issues build trust

Build strong Service Provider relationships to ensure transparency

Shared Security Roles

Issue: Complementary User Entity Controls (CUECs), define shared security duties—missing them creates gaps

Risks:

- Misconfigs can cause breaches
- Weak access controls enable unauthorized access
- No backups = data loss
- Incorrectly assume the Service Provider handles all security

Example: SaaS provider manages authentication, but misconfigured RBAC, missing MFA, or open APIs remain customer risks

Shared Security Roles

Why This Matters: **Security is a shared responsibility.** Customers must implement harmonizing controls to stay protected.

Actionable Insights:

- Review SOC 2 CUECs and map them to internal controls
- Follow Service Provider config, logging, and monitoring best practices
- Conduct regular internal audits/reviews to ensure CUEC compliance
- Train personnel to manage and maintain security controls

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Session Recap and Takeaways

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Key Takeaways

Align scope and controls with real risks

- Cross-check System Description with service offering
- Identify and validate excluded systems or business units
- Prioritize mission-critical providers with modular services (separate products or regions)

Actively identify and manage subservice provider risks

- Identify subservice providers; request their SOC 2
- Review onboarding and monitoring of subservice providers
- Flag service providers using cloud or major third-party services for critical risk reviews

Absence of Specific Security Domains

- Map TSCs to your risks and collect alternate proofs if mapped risks are missing
- Ask why domains were excluded; ensure alignment with your risks
- Prioritize providers handling PII, payments, or regulated data

Key Takeaways

Supplement SOC 2 audits with continuous security monitoring

- Check audit period and report date
- Require disclosure of all security incidents
- Use tools (iTrust, SecurityScorecard, BitSight) for continuous monitoring

Evaluate the Service Provider's unique control strength

- Validate auditor's credentials and independence
- Compare controls rigor across providers
- Ask about security maturity indicators (IR plans, MDR, SLAs)
- Prioritize providers with weak reports or unknown auditors

Key Takeaways

Ensure reports acknowledge and address real-world issues

- Question zero-exception reports; request remediation evidence
- Look beyond SOC 2—use pentests, monitoring, and questionnaires
- Escalate reviews for “clean” reports with a weak history

Clarify shared security responsibilities to avoid gaps

- Review and assess Complementary User Entity Controls (CUECs) in each report
- Ensure proper internal config (MFA, RBAC, APIs)
- Conduct audits and training on shared responsibilities
- Prioritize vendors with configurable platforms and shared controls

FEAR IS THE PATH TO THE DARK SIDE.

Q&A

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Download the

SOC 2 Evaluation Checklists

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